

LENAWEE TRANSPORTATION CORPORATION
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2006
WITH
INDEPENDENT AUDITORS' REPORT

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name LENAWEE TRANSPORTATION CORP.	County LENAWEE
Fiscal Year End SEPTEMBER 30, 2006	Opinion Date NOVEMBER 1, 2006	Date Audit Report Submitted to State DECEMBER 7, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

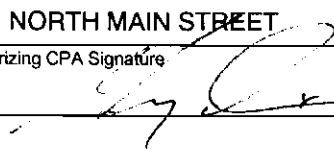
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	NOT NEEDED THIS YEAR		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN P.C.		Telephone Number (517) 265-6154		
Street Address 121 NORTH MAIN STREET		City ADRIAN	State MI	Zip 49221
Authorizing CPA Signature 		Printed Name GARY E. OWEN		License Number 1101008646

LENAWEE TRANSPORTATION CORPORATION

INDEPENDENT AUDITORS' REPORT

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2006

Our discussion and analysis of Lenawee Transportation Corporation's financial statements provides an overview of the Transportation Corporation's financial activities for the fiscal year ended September 30, 2006. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets provide information about the activities of the Transportation Corporation and present a long-term view of the Transportation Corporation's finances. Also, the financial statements tell how these services were financed in the short-term, as well as what remains for future spending.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Transportation Corporation's overall financial status. These statements report information about the Transportation Corporation, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets regardless of when cash is received or paid. The two government-wide statements report the Transportation Corporation's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities - this is one way to measure the Transportation Corporation's financial health or position.
- The third statement is the Statements of Cash Flows which show the change in cash and cash equivalents presenting all activity of the Transportation Corporation on a cash basis.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by supplementary information that further explains and supports the information in the financial statements.

Reporting the Transportation Corporation as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report information about the Transportation Corporation, as a whole, and about its activities in a way that helps answer the question of whether the Transportation Corporation, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Transportation Corporation's assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector companies. All of the current year's revenues and expenses are accounted for the Statement of Revenues, Expenses, and Changes in Fund Net Assets regardless of when cash is received or paid.

The two statements, mentioned above, report the Transportation Corporation's net assets and how they have changed. The reader can think of the Transportation Corporation's net assets (the difference between assets and liabilities) as one way to measure the Transportation Corporation's financial health or financial position. Over time, increases or decreases in the Transportation Corporation's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Transportation Corporation, you need to consider additional factors such as changes in the general economy and changes in the laws related to Federal and State transportation funding.

Fund Financial Statements

The Transportation Corporation has only one fund, the General Operating Fund, in which all of the Transportation Corporation's activities are accounted. The General Operating Fund is a business-type fund, which accounts for activities on a full accrual basis.

Financial Analysis of the Transportation Corporation as a Whole

The Transportation Corporation's net assets decreased approximately 16.5% from \$360,533 to \$301,054 for the year ended September 30, 2006. The net assets and change in net assets are summarized below.

Net Assets

The net assets decreased by \$59,479 during 2005-06. The primary reason for the decrease was depreciation expense, which was \$92,120.

There were \$5,192 of new capital assets purchased in fiscal year 2005-06, which was radios,

Net assets for the years ended September 30, 2006 and 2005 follows:

	<u>2006</u>	<u>2005</u>
Current assets	\$ 222,848	\$ 186,943
Capital assets	<u>113,824</u>	<u>200,752</u>
Total assets	<u>336,672</u>	<u>387,695</u>
Current liabilities	<u>35,618</u>	<u>27,162</u>
Total liabilities	<u>35,618</u>	<u>27,162</u>
Net assets:		
Invested in capital assets	113,824	200,752
Unrestricted	<u>187,230</u>	<u>159,781</u>
Total net assets	<u>\$ 301,054</u>	<u>\$ 360,533</u>

Changes in Net Assets

A summary of changes in net assets for the years ended September 30, 2006 and 2005 follows:

	<u>2006</u>	<u>2005</u>
Revenues		
Operating revenue	\$ 151,299	\$ 138,939
Nonoperating revenue	<u>329,635</u>	<u>384,255</u>
Total revenues	480,934	523,194
Operating expenditures	<u>(540,413)</u>	<u>(546,950)</u>
Decrease in net assets	<u>\$ (59,479)</u>	<u>\$ (23,756)</u>

Nonoperating revenues for 2005-06 included State capital grants of \$3,500 while in 2004-05 there were State capital grants of \$79,240. This accounts for the main difference between years.

Budgetary Highlights

General Fund Budgetary Highlights

With the Federal Reauthorization package passed in August of 2005, we saw an increase in federal funding from 10.95% reimbursement of audited costs to a 17% reimbursement. This had a positive and significant impact in our revenue.

There was no State funding available for our Project Zero program, however, we continued to provide transportation service on a limited basis. All related expenses were considered part of our regular operating service and eligible for state and federal reimbursement. Although, working with the participating agencies, all transit related expenses were recovered for this service. The additional funding in state and federal dollars, along with an increase in our contractual participants, was sufficient to offset the elevated costs for fuel.

We secured over \$6,000 in capital funding to offset maintenance expenses. All of this had a positive impact on our budget.

Capital Assets

As of September 30, 2006, the Transportation Corporation had invested \$884,479 in capital assets.

	<u>2006</u>	<u>2005</u>	Total Percentage Change
Capital Assets Being Depreciated			
Equipment	\$ 95,315	\$ 86,362	
Vehicles	<u>789,164</u>	<u>853,204</u>	
Total capital assets	884,479	939,566	
Total accumulated depreciation	<u>(770,655)</u>	<u>(738,814)</u>	
Total net capital assets	<u>\$ 113,824</u>	<u>\$ 200,752</u>	

During fiscal year, one vehicle was disposed of.

Economic Factors and Next Year's Budget

For fiscal year 2007, we can expect a 15% reimbursement rate on audited costs for federal funding. However, we are anticipating a slight reduction (.63%) for state dollars.

Funding will now be available for the Job Access Reverse Commute (JARC) program, formerly known as Project Zero. We have been awarded a contract for this program as we were a previous participant in this program. Future funding will be awarded on a competitive selection process.

We have increased our projected fuel cost and our health insurance premiums cost in the budget, however, the unknown forecast of these two items could significantly impact our expenses.

We are expecting our ridership to remain constant or to slightly increase. We are always looking for avenues to increase the number of passengers while maintaining safe and reliable service.

Contacting the Corporation's Financial Management

This financial report is designed to provide the citizens and other interested parties a general overview of the Transportation Corporation's finances and to show the Transportation Corporation's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lenawee Transportation Corporation, 100 East Church Street, Michigan 49221.

To the Board of Directors
Lenawee Transportation Corporation
Adrian, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities of Lenawee Transportation Corporation, a Nonprofit Corporation, as of and for the years ended September 30, 2006 and 2005, which comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lenawee Transportation Corporation's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Lenawee Transportation Corporation, as of September 30, 2006 and 2005, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006 on our consideration of the Lenawee Transportation Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Board of Directors
Lenawee Transportation Corporation
Adrian, Michigan

The management's discussion and analysis on pages i through iv is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that comprise Lenawee Transportation's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Lenawee Transportation Corporation. Such information has been subjected to the procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
November 1, 2006

November 1, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Lenawee Transportation Corporation
Adrian, Michigan

We have audited the financial statements of the business-type activities of Lenawee Transportation Corporation, a Nonprofit Corporation, as of and for the year ended September 30, 2006, which comprise Lenawee Transportation Corporation's basic financial statements and have issued our report thereon dated November 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Lenawee Transportation Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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November 1, 2006

To the Board of Directors
Lenawee Transportation Corporation
Adrian, Michigan

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Lenawee Transportation Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of Lenawee Transportation Corporation and federal and state awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
November 1, 2006

LENAWEE TRANSPORTATION CORPORATION

STATEMENTS OF NET ASSETS

September 30, 2006 and 2005

	<u>Business-Type Activity</u>	
	<u>General Operating</u>	
	<u>2006</u>	<u>2005</u>
ASSETS		
Current assets:		
Cash	\$ 118,242	\$ 99,240
Accounts receivable	14,844	20,082
Grants receivable	36,458	14,714
Interest receivable	490	590
Due from City	6,543	8,183
Prepaid expense	<u>46,271</u>	<u>44,134</u>
Total current assets	222,848	186,943
Capital assets:		
Equipment and vehicles, less accumulated depreciation	<u>113,824</u>	<u>200,752</u>
Total assets	<u>\$ 336,672</u>	<u>\$ 387,695</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 33,032	\$ 24,598
Due to State	<u>2,586</u>	<u>2,564</u>
Total current liabilities	<u>35,618</u>	<u>27,162</u>
Net assets:		
Invested in capital assets	113,824	200,752
Unrestricted	<u>187,230</u>	<u>159,781</u>
Total net assets	<u>\$ 301,054</u>	<u>\$ 360,533</u>

LENAWEE TRANSPORTATION CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Years Ended September 30, 2006 and 2005

		<u>2006</u>	<u>2005</u>
Operating revenues	(Schedule 1)	\$ 151,299	\$ 138,939
Operating expenses	(Schedule 2)	<u>(540,413)</u>	<u>(546,950)</u>
Operating loss		<u>(389,114)</u>	<u>(408,011)</u>
Nonoperating revenues	(Schedule 3)	326,135	305,015
Capital grants – Federal/State		<u>3,500</u>	<u>79,240</u>
		<u>329,635</u>	<u>384,255</u>
Net Loss		(59,479)	(23,756)
Net assets – beginning of year		<u>360,533</u>	<u>384,289</u>
Net assets – end of year		<u>\$ 301,054</u>	<u>\$ 360,533</u>

LENAWEE TRANSPORTATION CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2006 and 2005

INCREASE (DECREASE) IN CASH

	<u>2006</u>	<u>2005</u>
Cash flows from operations:		
Cash received from farebox and contracts	\$ 156,537	\$ 128,777
Cash paid to suppliers and employees	<u>(441,996)</u>	<u>(489,604)</u>
Net cash used in operating activities	<u>(285,459)</u>	<u>(360,827)</u>
Cash flows from investing and related financing activities:		
Purchase of capital assets	(5,192)	(79,240)
Capital grants	3,500	79,240
Operating grants	301,744	283,502
Interest income	3,914	1,482
Other revenue	<u>495</u>	<u> </u>
Net cash provided by investing and related financing activities	<u>304,461</u>	<u>284,984</u>
Net increase (decrease) in cash	19,002	(75,843)
Cash at beginning of year	<u>99,240</u>	<u>175,083</u>
Cash at end of year	<u><u>\$ 118,242</u></u>	<u><u>\$ 99,240</u></u>

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired.

LENAWEE TRANSPORTATION CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2006 and 2005

RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES

	<u>2006</u>	<u>2005</u>
Operating loss	\$ <u>(389,114)</u>	\$ <u>(408,011)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	92,120	109,218
(Increase) decrease in:		
Accounts receivable	5,238	(10,162)
Prepaid expense	(2,137)	(42,119)
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>8,434</u>	<u>(9,753)</u>
Total adjustments	<u>103,655</u>	<u>47,184</u>
Net cash used in operating activities	\$ <u>(285,459)</u>	\$ <u>(360,827)</u>

LENAWEE TRANSPORTATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For financial reporting purposes, Lenawee Transportation Corporation (LTC) includes all funds and accounts that are controlled by the Corporation.

Lenawee Transportation Corporation is a primary governmental unit with no outside component units.

Lenawee Transportation Corporation is a Corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Corporation is governed by its own board whose members are appointed by the Lenawee County Board of Commissioners. The Corporation receives a portion of its funding from Lenawee County. Lenawee Transportation Corporation has a contract with Lenawee County to operate a transportation system in the County.

The accounting policies of Lenawee Transportation Corporation conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Effective October 1, 2003, Lenawee Transportation Corporation implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

Basic Financial Statements – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets) report information on the activities of the Corporation. Lenawee Transportation Corporation consists solely of a business-type activity; no governmental-type activity exists.

The financial statements are provided for the business-type fund which is the same as the governmental-wide financial statements.

The major individual fund (General Operating Fund) is reported in the financial statements.

LENAWEE TRANSPORTATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

LTC uses the accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available for use in current operations. Expenses are recorded when the liability is incurred.

LTC accounts for its operations in a manner similar to private business enterprises, where the intent of LTC is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis are financed through user charges, State and Federal grants, and County support. LTC is deemed to be an enterprise fund.

Cash and Investments – Cash and cash investments are considered to be cash on hand, demand deposits, and short-term investments (certificates of deposit) with a maturity of three months or less when acquired.

Fixed Assets and Depreciation – Fixed assets are stated at cost. Cost relating to maintenance and repairs are charged to expense. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: COMMITMENTS:

Lenawee Transportation Corporation has contracted with Quick Service Transportation Company of Adrian, Michigan to operate the Lenawee Transportation system. The Corporation pays Quick Service \$300 per month for rental of a dispatch center and \$1,715 per month for administrative duties in fiscal year 2005-06, and makes reimbursement for all direct expenses of the Lenawee Transportation operation. The contract is renewed annually, including amendments for negotiated changes.

NOTE 3: CASH

At year end, the carrying value of the bank account was \$24,328 the bank balance was \$68,034 is fully insured by federal depository insurance. Also, there is a certificate of deposit of \$93,914, which is fully insured by federal depository insurance.

Lenawee Transportation Corporation invest only in instruments allowed under state law.

Lenawee Transportation limits its exposure to interest rate risk and credit rate risk by investing in conservative instruments like certificates of deposits with terms of six months or less. All investments are fully covered by federal depository insurance and so there is no exposure to custodial credit risk.

LENAWEE TRANSPORTATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE 4: CAPITAL ASSETS

Vehicles are stated at cost or fair market value at date of gift. The vehicles in use by the Lenawee Transportation program are purchased by the State. If the program should end, the vehicles would be returned to the State. The buses are depreciated over five years on a straight line basis. Rehabilitation costs of vehicles have also been capitalized and depreciated.

Computer equipment and radios have also been received from the State and are being depreciated over six and ten years, respectively, on a straight line basis.

Property assets on the balance sheet at September 30, 2006 and 2005 are:

	<u>Purchased with Capital Grants</u>	
	<u>2006</u>	<u>2005</u>
Equipment	\$ 95,315	\$ 86,362
Vehicle cost	<u>789,164</u>	<u>853,204</u>
	884,479	939,566
Less: Accumulated depreciation	<u>770,655</u>	<u>738,814</u>
Property assets	<u>\$ 113,824</u>	<u>\$ 200,752</u>

NOTE 5: CAPITAL GRANTS

During fiscal year 2005-06, Lenawee Transportation Corporation had the following capital grants:

<u>Contract or Project Number</u>	<u>Grant Amount</u>	<u>Amount Previously Earned</u>	<u>Amount Earned This Audit Period</u>	<u>Total Amount Earned</u>	<u>Amount Remaining</u>
2002-0059/Z7	\$ 18,000	\$ 3,761	\$	\$ 3,761	\$ 14,239
2002-0059/Z14	22,000		13,925	13,925	8,075

NOTE 6: PENSION PLAN

The Coordinator of Lenawee Transportation Corporation is covered by the defined benefit pension plan of Lenawee County - the Lenawee County Board of Commissioners Employees' Retirement Income Plan. Full disclosure of this plan is provided in the County of Lenawee's financial statements for the year ended December 31, 2005.

LENAWEE TRANSPORTATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE 6: PENSION PLAN (Continued)

Lenawee Transportation Corporation has made its required pension contributions to the County. The contribution for the year ended September 30, 2006 was \$6,416.

Employees of Quick Service are covered by a defined contribution pension plan using IRA accounts. However, no employees of Quick Service related to Lenawee Transportation are participating in this Plan.

NOTE 7: SICK AND VACATION PAY

Under existing general County rules and regulations, as a regular employee, the Coordinator accumulates eight (8) hours combined sick and vacation time for each two-week period. All accrued leave time will be paid by the County at time of termination or retirement in accordance with County policy. An accrual for unpaid leave time has been recorded at September 30, 2006 for \$4,831, which is included in accounts payable and other accrued liabilities on the statement of net assets.

NOTE 8: TRANSPORTATION AGREEMENT AND COST ALLOCATION

LTC provides semi-fixed route service to Lenawee County residents. The City of Adrian operates a separate service for City residents only. On September 17, 1984, LTC and the City of Adrian entered into an agreement to provide public transportation to both service areas by sharing in a transportation coordinator, clerical and support assistance, and office space.

Under the agreement, LTC pays the wages and fringe benefits of the transportation coordinator, and the City of Adrian provides the clerical and support assistance, and office space for LTC.

A formula has been worked out for the allocation of costs between Lenawee Transportation Corporation and the City of Adrian. This formula or allocation plan has been accepted by the Michigan Department of Transportation. Based on this plan, the allocated costs have been determined for the year. The difference in the allocated costs between the two units has been set up as a receivable or payable by the applicable unit. Also, in the settlement of eligible grant expenses (see Schedule 5) adjustments have been made for the allocation of administrative costs.

LENAWEE TRANSPORTATION CORPORATION

SCHEDULE OF OPERATING REVENUES

For the Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Demand response/semi-fixed	\$ 34,728	\$ 33,807
Special transit	<u>116,571</u>	<u>105,132</u>
	<u>\$ 151,299</u>	<u>\$ 138,939</u>

LENAWEE TRANSPORTATION CORPORATION

SCHEDULE OF OPERATING EXPENSES – BUDGET AND ACTUAL

For the Year Ended September 30, 2006
With Comparative Totals for the Year Ended September 30, 2005

				2006		2005
	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>	<u>Budget</u>	<u>Total System</u>
Labor:						
Operators' wages	\$ 117,814	\$	\$	\$ 117,814	\$ 108,000	\$ 105,997
Other salaries and wages	52,074		43,607	95,681	92,000	104,733
Fringe benefits	27,076		25,144	52,220	45,775	56,358
Services:						
Other services	3,683	23,870	3,205	30,758	34,500	33,317
Materials and supplies consumed:						
Fuel and lubricants	61,695			61,695	34,200	46,087
Tires and tubes	10,863			10,863	5,500	7,149
Other materials and supplies	1,386	16,348	136	17,870	16,050	20,667
Miscellaneous:						
Travel and meetings			2,006	2,006	3,000	3,231
Advertising	70		227	297	1,125	737
Other	1,160			1,160	1,000	889
Utilities	10,719			10,719	9,000	11,211
Casualty and liability cost:						
Premium for public liability and property damage insurance	43,068		98	43,166	45,300	43,039
Leases and rentals	4,044			4,044	4,050	4,317
Depreciation	<u>92,120</u>	<u> </u>	<u> </u>	<u>92,120</u>	<u> </u>	<u>109,218</u>
Total expenses	425,772	40,218	74,423	540,413	399,500	546,950
Project Zero expenses						(36,229)
RTAP expenses	<u> </u>	<u> </u>	<u>(785)</u>	<u>(785)</u>	<u> </u>	<u>(1,091)</u>
General operating expenses	<u>\$ 425,772</u>	<u>\$ 40,218</u>	<u>\$ 73,638</u>	<u>\$ 539,628</u>	<u> </u>	<u>\$ 509,630</u>

SCHEDULE 3**LENAWEE TRANSPORTATION CORPORATION****SCHEDULE OF NONOPERATING REVENUES****For the Years Ended September 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Local operating assistance	\$ 60,138	\$ 42,620
State of Michigan grants:		
Formula operating assistance (Act 51)	175,134	174,955
Project Zero	-	36,229
Federal operating grant -		
U.S. D.O.T. Operating Grant		
Section 5311	75,344	48,638
RTAP Grant	785	1,091
Bus Maintenance Grant	10,425	
Other revenues:		
Interest income	3,814	1,482
Sale of bus	<u>495</u>	<u></u>
Total nonoperating revenues	<u>\$ 326,135</u>	<u>\$ 305,015</u>

LENAWEE TRANSPORTATION CORPORATION

SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS

For the Year Ended September 30, 2006
 With Comparative Totals for the Year Ended September 30, 2005

	<u>General Operations</u>	<u>2006 Total</u>	<u>2005 Total</u>
Labor	\$ 213,496	\$ 213,496	\$ 210,730
Fringe benefits	52,220	52,220	56,358
Services	30,759	30,759	33,317
Materials and supplies consumed	90,428	90,428	73,903
Miscellaneous	3,463	3,463	4,857
Utilities	10,719	10,719	11,211
Casualty and liability cost	43,166	43,166	43,039
Leases and rentals	4,043	4,043	4,317
Depreciation	<u>92,120</u>	<u>92,120</u>	<u>109,218</u>
	<u>\$ 540,414</u>	<u>\$ 540,414</u>	<u>\$ 546,950</u>

LENAWEE TRANSPORTATION CORPORATION
SCHEDULE OF NET ELIGIBLE COSTS COMPUTATION
OF GENERAL OPERATIONS

For the Year Ended September 30, 2006

	Federal Section 5311 2002-0059 Z13/RI <u>10-1-05 to 9-30-06</u>	State Operating Assistance <u>10-1-05 to 9-30-06</u>
Expenses:		
Labor	\$ 213,496	\$ 213,496
Fringe benefits	52,220	52,220
Services	30,759	30,759
Materials and supplies	90,428	90,428
Miscellaneous	3,463	3,463
Utilities	10,719	10,719
Casualty and liability costs	43,166	43,166
Leases and rental	4,043	4,043
Depreciation	<u>92,120</u>	<u>92,120</u>
Total expenses	540,414	540,414
Ineligible expenses:		
Less: Depreciation	(92,120)	(92,120)
Less: Audit fee	(2,950)	
Less: RTAP reimbursement	(785)	(785)
Less: Specialized Services Program (1) – DOA	<u>(1,358)</u>	<u>(1,358)</u>
Net eligible expenses	<u>443,201</u>	<u>446,151</u>
Section 5311- Reimbursement – 17%	<u>\$ 75,344</u>	
State Operating Assistance – 39.2545% of eligible expenses or minimum floor - FY 1997 Act 51- \$174,955		<u>\$175,134</u>

- (1) This program is administered by Lenawee
County Department of Aging (DOA)
DOA Mileage 1,132 Miles
DOA Revenue 1,132 x \$1.20 = \$1,358

LENAWEE TRANSPORTATION CORPORATION
NOTES OF INELIGIBLE EXPENSES AND REVENUES
For the Year Ended September 30, 2006

DEPRECIATION

Depreciation accrued by public operations is ineligible according to UMTA 9050.1A, page V-4.

RTAP REIMBURSEMENT

Expenses reimbursed on RTAP Program are not eligible costs under Act 51 and Federal Section 5311.

SPECIALIZED SERVICES PROGRAMS

The State funding of the Specialized Services Program, administered by the Lenawee County Department on Aging, makes Lenawee Transportation Corporation's costs related to this program ineligible

AUDIT FEE

Any transit agency that expends less than \$500,000 in Federal Funds must subtract their annual audit fee from eligible expenses under Section 5311.

LENAWEE TRANSPORTATION CORPORATION

SCHEDULE OF MILEAGE DATA

For the Year Ended September 30, 2006

	Transportation <u>Mileage</u>
<u>Demand – Response</u>	
First Quarter	50,526
Second Quarter	52,882
Third Quarter	54,971
Fourth Quarter	<u>52,770</u>
Total operation	<u><u>211,149</u></u> (A)

(A) This figure does not include specialized service miles of Department of Aging, which was 1,132 miles for fiscal year 2005-06.

The methodology used for compiling mileage has been reviewed and found to be an adequate method for recording vehicle mileage.